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06 UNITED STATES DISTRICT COURT  
07 WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

08 PROPET USA, INC., ) CASE NO. C06-0186-MAT  
09 Plaintiff, )  
10 v. ) ORDER RE: PENDING MOTIONS  
11 LLOYD SHUGART, ) IN LIMINE AND MOTION TO  
12 Defendant. ) PROCEED FIRST AT TRIAL  
13 \_\_\_\_\_ )

14 In the pretrial conference, the Court deferred ruling on defendant's motion in limine  
15 seeking to preclude plaintiff from challenging the registration of defendant's copyright applications  
16 now pending before the United States Copyright Office (Dkt. 84) and plaintiff's motion in limine  
17 to exclude evidence of defendant's actual damages (Dkt. 86). The Court also indicated that  
18 defendant's motion to proceed first (Dkt. 85) would be resolved by the jurisdictional issue raised  
19 by his unresolved motion in limine. The parties submitted supplemental briefing on the  
20 jurisdictional and damages issues. (Dkts. 112-114.) Now, having considered the documents  
21 submitted in support and in opposition to the pending motions, the Court hereby finds and  
22 ORDERS:

ORDER RE: PENDING MOTIONS IN LIMINE AND  
MOTION TO PROCEED FIRST AT TRIAL  
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01 (1) Defendant has a number of applications for copyright registrations currently  
02 pending before the United States Copyright Office and seeks to preclude plaintiff from challenging  
03 the registration of those copyrights. However, as argued by plaintiff and as decided in other recent  
04 cases before this Court, the undersigned reads 17 U.S.C. § 411(a) as reflecting that the absence  
05 of copyright registrations deprives this Court of subject matter jurisdiction over any associated  
06 claims of infringement. *See Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090, 1111-13  
07 (W.D. Wash. 2004) (“A district court does not have subject matter jurisdiction over an  
08 infringement claim until the Copyright Office grants the registration application and issues a  
09 certificate of registration.”) and *Berry v. Penguin Group, Inc.*, 448 F. Supp. 2d 1202, 1203 (W.D.  
10 Wash. 2006) (same). Accordingly, defendant’s motion in limine seeking to preclude plaintiff from  
11 challenging the registration of defendant’s copyright applications now pending before the United  
12 States Copyright Office (Dkt. 84) is DENIED. The Court clarifies that, in light of this ruling,  
13 defendant may only pursue claims of infringement as to copyrighted images for which he has a  
14 certificate of registration and must establish at trial the specific images for which the Copyright  
15 Office has granted copyright registration.

16 (2) Having resolved defendant’s remaining motion in limine, the Court now addresses  
17 his request to proceed first at trial. The Court finds this request reasonable and appropriate given  
18 the issues to be resolved in this trial. As such, defendant’s motion to proceed first (Dkt. 85) is  
19 GRANTED.

20 (3) In its motion in limine, plaintiff seeks to exclude evidence of defendant’s actual  
21 damages, asserting his repeated failure to disclose this evidence. In the supplemental briefing  
22 provided, plaintiff challenges defendant’s right, under 17 U.S.C. § 504(a), to either “actual

01 damages and any additional profits of the infringer,” or to statutory damages. Plaintiff further  
02 asserts defendant’s failure to support his Digital Millennium Copyright Act (“DMCA”) or “Lost  
03 or Stolen Photos” claims. Having considered all of the arguments raised, the Court DENIES  
04 plaintiff’s motion (Dkt. 86) subject to the following:

05 (a) Actual Damages:

06 Pursuant to 17 U.S.C. § 504(b), a “copyright owner is entitled to recover the actual  
07 damages suffered by him or her as a result of the infringement[.]” “‘Actual damages are usually  
08 determined by the loss in the fair market value of the copyright, measured by the profits lost due  
09 to the infringement or by the value of the use of the copyrighted work to the infringer.’” *Polar*  
10 *Bear Prods. v. Timex Corp.*, 384 F.3d 700, 708 (9th Cir. 2004) (quoting *McRoberts Software, Inc.*  
11 *v. Media 100, Inc.*, 329 F.3d 557, 566 (7th Cir. 2003)). The copyright owner may pursue a lost  
12 license fee as actual damages. *See, e.g., id.; Thoroughbred Software Int’l, Inc. v. Dice Corp.*, 488  
13 F.3d 352, 359-60 (6th Cir. 2007); *Davis v. Gap, Inc.*, 246 F.3d 152, 166-67 (2d Cir. 2001).

14 In this case, defendant points to the paid invoices as evidence of his actual damages. That  
15 is, he maintains his right to the original fee paid where plaintiff, or third parties to whom plaintiff  
16 distributed the images, utilized his copyrighted images outside of the claimed two-year license  
17 period. The Court finds this method of proof sufficient to determine defendant’s actual damages.  
18 However, the Court rejects defendant’s assertion of his entitlement to the total amount plaintiff  
19 paid for all of the images during their business relationship, in his estimate \$185,000.00, from both  
20 plaintiff and any infringing third parties, for a total of \$370,000.00. Instead, defendant is limited  
21 to recovering actual damages for only those images shown by him to have been used in violation  
22 of the asserted license terms and for which he has obtained a copyright registration, and bears the

01 burden of demonstrating the amount owing for those specific images.

02 (b) Additional Profits:

03 In addition to actual damages, a copyright owner may recover “any profits of the infringer  
04 that are attributable to the infringement and are not taken into account in computing the actual  
05 damages.” 17 U.S.C. § 504(b). “In establishing the infringer’s profits, the copyright owner is  
06 required to present proof only of the infringer’s gross revenue, and the infringer is required to  
07 prove his or her deductible expenses and the elements of profit attributable to factors other than  
08 the copyrighted work.” *Id.* However, because “it is implicit that the profits sought are those that  
09 arise from the infringement[,] . . . a copyright owner [seeking indirect additional profits] is  
10 required to do more initially than toss up an undifferentiated gross revenue number; the revenue  
11 stream must bear a legally significant relationship to the infringement.” *Polar Bear Prods.*, 384  
12 F.3d at 711. Therefore, “a plaintiff seeking to recover indirect profits must ‘formulate the initial  
13 evidence of gross revenue duly apportioned to relate to the infringement[,]’” and “is bound to no  
14 more and no less than its statutory obligation to demonstrate a causal nexus between the  
15 infringement and the profits sought.” *Id.* (quoting 4 NIMMER ON COPYRIGHT § 14.03[B],  
16 14-39; other cited source omitted). “‘When an infringer’s profits are only remotely and  
17 speculatively attributable to infringement, courts will deny recovery to the copyright owner.’” *Id.*  
18 (quoting 4 NIMMER ON COPYRIGHT § 14.03, 14-34 and citing *Frank Music Corp. v.*  
19 *Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 517 (9th Cir. 1985).)

20 In this case, defendant appears to seek indirect profits attributable to the infringement.  
21 (See Dkt. 113 at 3.) However, while acknowledging his obligation to show a causal nexus  
22 between plaintiff’s alleged infringement and the profits sought, defendant, to date, presents only

evidence of plaintiff's gross revenue for the period in question. For the reasons described above, such a showing is insufficient. Accordingly, should defendant seek to pursue additional profits attributable to the infringement at trial, he will need to demonstrate a causal nexus between infringement of the specific images protected by a copyright registration and the profits sought.

(c) Statutory Damages:

As noted above, under 17 U.S.C. § 504(a), (c), a copyright owner may elect to recover statutory damages, instead of actual damages and any additional profits. However, in order to recover statutory damages, the copyrighted work must have been registered prior to the commencement of the infringement, unless the registration is made within three months after the first publication of the work. 17 U.S.C. § 412; *Polar Bear Prods.*, 384 F.3d at 708 n.5 (“Because Polar Bear did not register its copyright before infringement, it can recover only actual damages and profits under § 504(b), not statutory damages under § 504(c).”) “[T]he first act of infringement in a series of ongoing separate infringements ‘commence[s]’ one continuing ‘infringement’ under Section 412(2).” *Parfums Givenchy v. C & C Beauty Sales*, 832 F. Supp. 1378, 1393-95 (C.D. Cal. 1993) (citing cases finding same, including *Johnson v. University of Virginia*, 606 F. Supp. 321, 325 (D. Va. 1985), wherein the court stated: “The court notes, however, that the alleged post-registration infringements involve only photographs which were first used by defendants prior to registration. Consequently, those alleged post-registration infringements ‘commenced’ prior to registration, and thus pursuant to § 412, they provide no basis for allowing statutory damages or attorney's fees.”); accord 2 NIMMER ON COPYRIGHT § 7.16[C][I].

Defendant contends his right to statutory damages, asserting his ability to show that,

01 because a number of his images were still within the alleged two-year licence period before the  
02 effective registration date of April 10, 2006, acts of infringement commenced after that date.  
03 Therefore, as conceded by defendant, in order to recover statutory damages, he will bear the  
04 burden of proving, with respect to each specific image for which he has a copyright registration,  
05 that plaintiff's first act of infringement of that image occurred after April 10, 2006. Accordingly,  
06 unless defendant can prove that a specific image or images were registered before (or within three  
07 months) of the alleged infringement, he will not be able to recover statutory damages or attorney  
08 fees.

09 (d) DMCA Claim:

10 In its supplemental brief, plaintiff contests defendant's ability to prove his DMCA claim.  
11 However, other than noting that the Court has discretion to reduce or remit an award of damages  
12 under 17 U.S.C. § 1203(c)(5)(A) based on a finding of an innocent violation of the DMCA, the  
13 parties do not appear to disagree as to the remedies available for proof of a violation. Therefore,  
14 to the extent defendant proves a DMCA violation at trial, he will be entitled to an award of  
15 statutory damages as provided for in 17 U.S.C. § 1203(c)(3)<sup>1</sup> and the Court will, as noted by  
16 plaintiff, retain the discretion to reduce or remit such an award as deemed appropriate.

17 (e) Lost or Stolen Photos:

18 Plaintiff disputes the existence of any lost or stolen photos and, therefore, defendant's right  
19 to any damages associated with such a claim. Defendant asserts plaintiff's refusal to return some  
20 975 images and points to the liquidated damages clause in the Film Delivery Memo in dispute in

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22 <sup>1</sup> Defendant cites only the statutory damages provisions of the DMCA in his trial brief and memorandum on damages. (See Dkt. 111 at 7 and Dkt. 113 at 7.)

01 this case as entitling him to the invoiced amount for each such image. Alternatively, should the  
02 trier-of-fact find the Film Delivery Memo unconscionable or otherwise non-binding, plaintiff offers  
03 an estimated \$500.00 fair market value for each of his images. However, because the parties have  
04 done little to elucidate the claim as to any lost or stolen photos, the Court finds itself unable to  
05 render a ruling at this time on the issue of any possible damages. Accordingly, the Court reserves  
06 a ruling on this issue.

07 (4) The Clerk is directed to send copies of this Order to counsel for plaintiff and  
08 defendant.

09 DATED this 19th day of September, 2007.

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11 Mary Alice Theiler  
12 United States Magistrate Judge  
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